

Message Text

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ACTION EB-07

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E.O. 11652: N/A
TAGS: EAIR. UK
SUBJECT: CIVAIR: US/UK RENEGOTIATION OF THE BERMUDA
AGREEMENT

1. SUNDAY TIMES MAY 8 CARRIED ARTICLE HEADED "BRITAIN IN DOGFIGHT OVER THE ATLANTIC" DESCRIBING STATUS AND ISSUES OF BERMUDA RENEGOTIATIONS. REPORT OPENS WITH STATEMENT THAT UK HAS DISCUSSED EMERGENCY PLANS WITH CANADA TO FLY US BOUND PASSENGERS THROUGH CANADIAN AIRPORTS SHOULD US/UK NEGOTIATIONS TO RENEW THE BERMUDA AGREEMENT FAIL AND US/UK FLIGHTS ARE SUSPENDED. WHILE UK NEGOTIATORS HOPE TO SECURE A NEW AGREEMENT BEFORE THE JUNE 22 CUT-OFF DATE, IN VIEW OF FACT UK STANDS TO GAIN 58 MILLION POUNDS BALANCE OF PAYMENTS BENEFIT FROM A RENEGOTIATED AGREEMENT, THEY ARE PREPARED, THE ARTICLE STATES, TO "... COUNTENANCE WHAT THEY DESCRIBE AS THE UNTHINKABLE, THE COMPLETE DISRUPTION OF SCHEDULED TRANSATLANTIC FLIGHTS." WITH FIRM POLITICAL SUPPORT FROM THE PRIME MINISTER, THE NEGOTIATORS ARE "... PREPARED TO GO TO THE BRINK AND BEYOND."

2. THE SUNDAY TIMES REPORT GOES INTO THE BACKGROUND OF THE ISSUES WHICH LED TO UK TERMINATION OF BERMUDA, AND UNCLASSIFIED

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LISTS THE STAKES FOR BOTH SIDES; PRECEDENT WHICH NEW AGREEMENT ON UK TERMS WOULD SET FOR US IN NEGOTIATIONS WITH OTHER AVIATION PARTNERS; US FIFTH FREEDOM EARNINGS; INEQUALITY OF EARNINGS BETWEEN US AND UK CARRIERS; CAPACITY PROBLEM.

3. FINALLY THERE IS A REPORT OF THE STATUS OF THE TALKS

AS OF THE COMPLETION OF THE LAST ROUND. AGREEMENT ON BERMUDA ROUTES AND SOME TECHNICAL ISSUES IS NOTED. HOWEVER, NEITHER SIDE HAS GIVEN AN INCH ON THE PACIFIC OR HONG KONG. IN ADDITION, THE US IS CHARACTERIZED AS NOT BEING GENEROUS ON CARIBBEAN RIGHTS. IN FACT, THE UK IS REPORTED AS SAYING THE US IS BEING UNNECESSARILY MEAN IN REFUSING TO HELP THE TINY, OFTEN POOR THIRD WORLD COUNTRIES OF THE CARIBBEAN TO IMPROVE THEIR TOURISM AND AVIATION EARNINGS.

4. THE MAJOR UNRESOLVED ISSUE IS CAPACITY ACCORDING TO THE REPORT. THE US HAS GRUDGINGLY ACCEPTED THE UK'S POSITION ON DESIGNATION. HOWEVER, WITH THE US INSISTING THAT THERE BE AN EXCEPTION FOR THE NEW YORK AND LOS ANGELES MARKETS, THIS IS LESS OF A CONCESSION THAN IT APPEARS.

5. THE REPORT CONCLUDES IN THE NEXT FEW WEEKS THIS "AERIAL POKER-GAME" COULD GET OUT OF HAND. IF US BOUND PASSENGERS HAD TO FLY VIA CANADA, IT WOULD INCONVENIENCE MANY BUT THE POTENTIAL GAINS FOR THE BRITISH ARE SUBSTANTIAL.

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